

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON

In re

MICHAEL R. MASTRO,

Debtor.

JAMES F. RIGBY, JR., Trustee, solely in his capacity
as Chapter 7 trustee of the bankruptcy estate of
Michael R. Mastro,

Plaintiff,

v.

MICHAEL R. MASTRO and LINDA A. MASTRO,
and their marital community; MICHAEL K.
MASTRO and JANE DOE MASTRO; and their
marital community; LCY, LLC, a Delaware limited
liability corporation; LCY, LLC-SERIES HOME;
LCY, LLC-SERIES JEWELRY; LCY, LLC-SERIES
AUTOMOBILES; THE LCY TRUST; COMPASS
TRUST CORPORATION, a purported Belizean
entity; COMPASS S.A.; MASTRO REVOCABLE
LIVING TRUST; MASTRO IRREVOCABLE
TRUST; CONCEPT DORSSERS, a purported
Monaco company; HENDRIK J. DORSSERS; and
AVATAR INCOME FUND I LLC, a Delaware
limited liability company,

Defendants.

BANKRUPTCY NO. 09-16841 (Ch. 7)

ADVERSARY NO. 09-01439-SJS

AMENDED COMPLAINT
REGARDING MASTRO TRUSTS

1 JAMES F. RIGBY, JR. ("Trustee"), solely in his capacity as Chapter 7 Trustee of the
2 bankruptcy estate of Michael R. Mastro ("Mastro"), by and through his attorneys of record for the
3 benefit of creditors of the above-captioned bankruptcy estate, seeks to avoid the transfer of the
4 Debtor's interest in certain assets within two years prior to the bankruptcy, to quiet title in the estate as
5 to such assets, to obtain appropriate injunctive relief to preserve such assets, and to obtain judgments
6 against parties who have assisted, or benefited from, the wrongful conduct that is the subject of this
7 complaint.

8 The Trustee alleges:

9 I. INTRODUCTION

10 1.1 At least 18 months before the Mastro bankruptcy, the real estate market (essential to
11 Mastro's business profitability) experienced a severe and unprecedented downturn. In the face of the
12 downturn, Mastro took a series of actions designed to place substantial assets beyond the reach of his
13 creditors. This Amended Complaint is directed to all transactions involving the Mastro Irrevocable
14 Trust, the LCY Trust, and related entities.

15 1.2 On or about August 21, 2008, Mastro purported to create the "Mastro Irrevocable
16 Trust." On August 22, 2008, Mastro executed a quitclaim deed conveying his residence and two other
17 homes to the Mastro Irrevocable Trust. The financial statement for the Mastro Irrevocable Trust
18 shows that the value of the three properties at the time of the transfer was \$23.7 million. The financial
19 statement also shows that the properties were not encumbered by any liabilities. In the 11 months
20 preceding his bankruptcy, Mastro has purported to exhaust all the assets of the Mastro Irrevocable
21 Trust by engaging in a series of transactions that violate the Mastro Irrevocable Trust Agreement and
22 applicable law. Mastro's wrongful conduct has been assisted by other persons and entities including,
23 without limitation, defendants named in this Amended Complaint.

1.3 On or about October 10, 2008, Mastro purported to create an offshore asset protection trust titled “The LCY Trust” using a trustee based in Belize. Mastro engaged in a series of transactions by which he purported to place his residence, valued at \$18 million, under the control of the offshore trust. In addition, Mastro purported to place seven pieces of jewelry under the control of the offshore trust. The jewels included, without limitation, two diamonds of approximately 10 carats, a 14.17 carat diamond, a 15.93 carat diamond, and a 27.8 carat diamond. Mastro also purported to place a 2008 Phantom Rolls Royce under the control of the offshore trust.

1.4 Following the formation of the offshore trust, Mastro purported to encumber the Mastros' residence with deeds of trust totaling in excess of \$15 million. The deeds of trust were given without consideration, are contrary to the terms of the purported trust, and were intended to hinder, delay or defraud creditors. According to Mastro, all but two of the seven pieces of jewelry that Mastro purported to place under the control of the offshore trust have been traded, lost or stolen.

1.5 The Mastro Irrevocable Trust and the offshore LCY Trust are self-settled trusts and under Washington law may not be used to defeat the claims of creditors. The purported transfers were made without consideration, were unauthorized, and were deficient as a matter of contract law. The purported transfers were made to hinder, delay and defraud Mastro's creditors.

1.6 The Trustee seeks to recover all property that was the subject of the transactions described in this Amended Complaint and to obtain judgment against all defendants who assisted Mastro's wrongful conduct for all losses sustained by the estate.

II. JURISDICTION AND VENUE

2.1 This matter is a core proceeding under 28 U.S.C. §157(b)(2)(B), (C), (E), (H), (K) and (O).

2.2 This Court has jurisdiction to hear this Amended Complaint pursuant to 28 U.S.C. §157(a) and (b), 1334(a) and (b), and 11 U.S.C. §§105, 544, 548, 550 and 551.

2.3 This matter has been referred to the Bankruptcy Judges of the District pursuant to General Rule 7 of the Rules for the United States District Court for the Western District of Washington.

2.4 Venue is proper under 28 U.S.C. §1409.

III. PARTIES

3.1 Debtor. An involuntary Chapter 7 bankruptcy petition was filed against Michael R. Mastro (“Mastro” or “Debtor”) on July 10, 2009. On August 21, 2009, the Bankruptcy Court entered an Order for Relief and Judgment Granting Petition for Involuntary Chapter 7 petition. On August 20, 2009, Mastro filed a First Amended Answer and Consent to Entry of Order for Relief under Chapter 7 of the Bankruptcy Code and a Second Amended Answer and Consent to Entry of Order for Relief under Chapter 7 of the Bankruptcy Code.

3.2 Trustee. James Rigby (“Rigby” or “Trustee”) was appointed Chapter 7 Trustee for the Mastro estate on August 21, 2009. The Trustee is authorized to bring this action pursuant to 11 U.S.C. §§105, 544, 548, 550 and 551 and does so solely in his capacity as Trustee for the Mastro estate.

3.3 Defendant Linda A. Mastro. Linda A. Mastro is the wife of Michael R. Mastro and together they form a marital community. Any acts done by Michael R. Mastro were done for the benefit of the marital community. Linda A. Mastro is a resident of the State of Washington.

1 3.4 Defendant Michael K. Mastro. Michael K. Mastro is the son of Michael R. Mastro and
2 is a resident of the State of Washington.

3 3.5 Defendant Jane Doe Mastro. Jane Doe Mastro is the wife of Michael K. Mastro and
4 together they form a marital community. Any acts done by Michael K. Mastro were done for the
5 benefit of the marital community. Jane Doe Mastro is a resident of the State of Washington.

6 3.6 Defendant LCY, LLC. LCY, LLC is purportedly a Delaware limited liability company
7 established on October 9, 2008.

8 3.7 Defendant LCY, LLC – Series Home. LCY, LLC – Series Home is purportedly a
9 series limited liability company organized pursuant to the Limited Liability Company Operating
10 Agreement of LCY LLC and Delaware law.

11 3.8 Defendant LCY, LLC - Series Jewelry. LCY, LLC – Series Jewelry is purportedly a
12 series limited liability company organized pursuant to the Limited Liability Company Operating
13 Agreement of LCY LLC and Delaware law.

14 3.9 Defendant LCY, LLC – Series Automobiles. LCY, LLC – Series Automobiles is
15 purportedly a series limited liability company organized pursuant to the Limited Liability Company
16 Operating Agreement of LCY LLC and Delaware law.

17 3.10 Defendant LCY Trust. The LCY Trust is purportedly a trust created by Michael R.
18 Mastro and Linda A. Mastro for their own benefit. The LCY Trust purports to be the sole member of
19 LCY, LLC, LCY, LLC – Series Home, LCY, LLC – Series Jewelry, and LCY, LLC – Series
20 Automobiles. The trustee of The LCY Trust purports to be Compass Trust Corporation, a Belizean
21 entity.
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1 3.11 Defendant Compass Trust Corporation. Compass Trust Corporation is purportedly the
2 trustee of The LCY Trust. The LCY Trust lists the address of Compass Trust Corporation as Belize
3 City in the territory of Belize.

4 3.12 Defendant Compass S.A. Compass S.A. purports to be the Protector of The LCY Trust
5 as that term is defined in The LCY Trust. Compass S.A. purports to be an entity based in Belize, and
6 is owned or controlled by the same persons who own or control Compass Trust Corporation.

7 3.13 Defendant Mastro Revocable Living Trust. Mastro Revocable Living Trust is
8 purportedly a trust formed by Michael R. Mastro and Linda A. Mastro on October 2, 2002 (“Mastro
9 Revocable Living Trust”).

10 3.14 Defendant Mastro Irrevocable Trust. Mastro Irrevocable Trust is purportedly a trust
11 formed pursuant to the Mastro Irrevocable Trust Agreement dated August 21, 2008 between
12 Michael R. Mastro and Linda A. Mastro as grantors, and Michael R. Mastro and Michael K. Mastro as
13 co-trustees (“Mastro Irrevocable Trust”).

14 3.15 Defendant Concept Dorssers. Concept Dorssers is purportedly a Monaco company
15 used by Hendrik J. Dorssers to do business in the State of Washington.

16 3.16 Defendant Hendrik J. Dorssers. Hendrik J. Dorssers is an individual who owns a
17 residence in Redmond, Washington and purports to live in Monaco when he is not residing in
18 Washington. Mr. Dorssers does business in Washington using the name Concept Dorssers.

19 3.17 Defendant Avatar Income Fund I LLC. Avatar Income Fund I LLC is purportedly a
20 Delaware limited liability company with its principal place of business in Seattle, Washington.
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IV. WRONGFUL CONDUCT

Mastro's Background

4.1 Mastro is approximately 84 years old and has been engaged in the real estate profession in the Seattle area and surrounding communities for decades.

4.2 Mastro has been a prolific developer with respect to multi-family building lots, multi-family structures, and single-family lots and houses. Mastro also was a "hard money" lender who secured his loans with real estate or real estate-related collateral.

4.3 By early 2008, well before the month of June, 2008, it was clear to Mastro and others that single family residence development was in catastrophic financial shape on a nation-wide basis and Mastro, as a very large investor in single-family real estate properties, was in deep and inescapable financial trouble. In addition, the collateral securing Mastro's hard-money loans had decreased substantially in value.

4.4 By June 2008, Mastro's holdings in single-family lots and development real estate were virtually all encumbered and Mastro was forced to pay interest on loans secured by assets which were not salable. Mastro was losing money and was having to go out of pocket to pay banks and "Friends and Family" creditors.

4.5 Over the years, Mastro has acquired distressed commercial real estate, improved and sold it.

4.6 Mastro was a frequent hard money lender who engaged in numerous lending transactions. In that role, Mastro has become very experienced with the legal collection process and has observed methods by which debtors attempt to conceal assets from their creditors.

1 4.7 Mastro has also been involved in the construction of commercial real estate.

2 4.8 Mastro's bankruptcy schedules filed with the Bankruptcy Court on September 9, 2009
3 ("Schedules") reflect total debt exceeding \$570,000,000.

4 4.9 Many, if not substantially all, of the properties on Mastro's Schedules secure debt
5 exceeding the values attributed to them in the Schedules.

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7 **Mastro Revocable Living Trust**

8 4.10 On or about October 2, 2002, Michael R. Mastro and Linda A. Mastro, as grantors, and
9 Michael R. Mastro, as Trustee, executed a document titled Mastro Revocable Living Trust
10 Agreement. Ex. A. Under the terms of the Mastro Revocable Living Trust Agreement, the Mastros
11 reserved the right to revoke the agreement or to withdraw any of the property of the trust at any time.
12 The beneficiaries of the Mastro Revocable Living Trust were Michael R. Mastro and Linda A. Mastro.

13 4.11 The Mastro Revocable Living Trust was a self-settled trust and cannot be used to
14 defeat the claims of Mastro's creditors.

15 **Mastro Houses**

16 4.12 Clyde Hill House. On or about December 27, 1993, Michael R. Mastro and Linda A.
17 Mastro acquired a residence located at 2040 89th Avenue NE, Clyde Hill, WA. ("Clyde Hill House").
18 On or about October 2, 2002, Michael R. Mastro and Linda A. Mastro executed a quitclaim deed
19 conveying the Clyde Hill House to Michael R. Mastro, initial Trustee of the Mastro Revocable Living
20 Trust.

21 4.13 Medina Residence. On or about July 19, 2006, Michael R. Mastro and Linda A.
22 Mastro acquired a residence located at 3435 Evergreen Point Way, Medina, WA. ("Medina
23

1 Residence"). On or about June 9, 2008, Michael R. Mastro and Linda A. Mastro executed a quitclaim
2 deed conveying the Medina Residence to Michael R. Mastro, Trustee of the Mastro Revocable Living
3 Trust. Ex. B.

4 4.14 Highlands House. On or about July 7, 2008, Michael R. Mastro, Trustee of the Mastro
5 Revocable Living Trust acquired a residence located at 153 NW Highland Drive, Shoreline, WA.
6 ("Highlands House").

7 **Mastro Irrevocable Trust**

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9 4.15 In August 2008, Mastro was in serious financial trouble. At that time, the Clyde Hill
10 House, the Highlands House and the Medina Residence ("Mastro Houses") were held in the name of
11 the Mastro Revocable Living Trust, were unencumbered, and were available to satisfy Mastro's
12 creditors. Mastro initiated a series of transactions that were intended to place the Mastro Houses
13 beyond the reach of his creditors.

14 4.16 On or about August 21, 2008, Michael R. Mastro and Linda A. Mastro, as grantors, and
15 Michael R. Mastro and Michael K. Mastro, as Co-Trustees, executed a document titled Mastro
16 Irrevocable Trust Agreement. Ex. C. The beneficiaries of the Mastro Irrevocable Trust are
17 Michael R. Mastro and Linda A. Mastro.

18 4.17 On or about August 22, 2008, Michael R. Mastro executed a quitclaim deed conveying
19 the Mastro Houses to Michael R. Mastro and Michael K. Mastro, Co-Trustees of the Mastro
20 Irrevocable Trust. Ex. D. The financial statement for the Mastro Irrevocable Trust shows that the
21 Mastro Houses were valued at \$23.7 million when they were transferred into the Mastro Irrevocable
22 Trust. Ex. E. The financial statement also shows that the Mastro Houses were not encumbered by
23 any liabilities.

1 4.18 The Mastro Irrevocable Trust is either invalid or it is a self-settled trust that may not be
2 used to defeat the claims of Mastro's creditors.

3 4.19 The purpose of the Mastro Irrevocable Trust was to hinder, delay or defraud Mastro's
4 creditors.

5 4.20 The Trustee is entitled to recover all assets purportedly transferred to and from the
6 Mastro Irrevocable Trust.

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8 **Encumbrances on Assets of the Mastro Irrevocable Trust**

9 4.21 On or about September 17, 2008, Michael R. Mastro and Michael K. Mastro, Co-
10 Trustees of the Mastro Irrevocable Trust, executed a deed of trust in favor of Avatar Income Fund I
11 ("Avatar") purporting to secure a debt of \$3,360,000 loaned by Avatar to the Mastro Irrevocable
12 Trust. Ex. F. The Avatar deed of trust applied to the Highlands House and the Clyde Hill House.
13 Mastro has not established that the Mastro Irrevocable Trust received \$3,360,000 or any other
14 consideration for the Avatar deed of trust. Mastro has not accounted for any funds that were paid by
15 Avatar in connection with this transaction.

16 4.22 On or about October 7, 2008, Michael R. Mastro and Michael K. Mastro, Co-Trustees
17 of the Mastro Irrevocable Trust, executed a deed of trust in favor of Al Monjazez purporting to secure
18 a debt of \$1 million loaned by Mr. Monjazez to the Mastro Irrevocable Trust. Ex. G. The Monjazez
19 deed of trust applied to the Highlands House and the Clyde Hill House. Mastro has not established
20 that the Mastro Irrevocable Trust received \$1 million or any other consideration for the Monjazez
21 deed of trust. Mastro has not accounted for any funds that were paid by Mr. Monjazez in connection
22 with this transaction.
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1 4.23 The purpose of the encumbrances purportedly placed by Mastro on the assets of the
2 Mastro Irrevocable Trust was to hinder, delay or defraud Mastro's creditors.

3 4.24 The encumbrances purportedly placed by Mastro on the assets of the Mastro
4 Irrevocable Trust are invalid because the Mastro Irrevocable Trust is invalid, because the purported
5 encumbrances violate the terms of the trust agreement, because the encumbrances are fraudulent
6 conveyances, or because they are otherwise deficient.

7 **The LCY Trust**

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9 4.25 Notwithstanding the actions described above, Mastro desired to create additional
10 obstacles to prevent his creditors from reaching his assets. Mastro's bankruptcy counsel referred
11 Mastro to Vigal & Simon, Inc., self-described "asset protection" specialists ("Vigal & Simon").

12 4.26 Vigal & Simon's website touts its ability to create offshore asset protection trusts. In
13 October 2008, the Vigal & Simon website stated:

14 The principals of Vigal & Simon are on the board of directors of Compass Trust
15 Corporation and Compass Group Corporate Services in Belize City, Belize. All your
16 interests in Belize, whether tourism, real estate or other investments, retirement or asset
protection, can be handled through our office.

17 Ex. H. Vigal & Simon removed the above language from their website after this lawsuit was filed.

18 4.27 Vigal & Simon promotional materials describe the asset protection scheme that they
19 advocate (and which was used by Mastro):
20

21 First, create a Delaware series LLC and then hold the membership in each series
22 through a Belize asset protection trust. This structure imports the most protective laws
23 for asset protection from the most effective jurisdictions. There is no waiting period
for the structure to become effective. In a tax neutral structure you are still deemed the
tax owner of the assets, so there is no concern for how this impacts the IRS.

1 "STP Business Alert No. 3" from the Specialty Technical Publishers website (STPUB.com). Ex. I.

2 4.28 In October 2008, Vigal & Simon assisted Mastro in forming an offshore asset
3 protection trust based on the Vigal & Simon model described above. The Mastro offshore trust was
4 named "The LCY Trust." Ex. J. Most of the documents relating to The LCY Trust and associated
5 entities are dated October 10, 2008.

6 4.29 The LCY Trust purports to be the sole member of a series of Delaware limited liability
7 companies named "LCY". The series includes defendants LCY, LLC, LCY, LLC – Series Home,
8 LCY, LLC – Series Jewelry, and LCY, LLC – Series Automobiles ("LCY Entities"). Exs. K-N.
9 Mastro transferred the Medina Residence into LCY, LLC – Series Home; jewelry into LCY, LLC –
10 Series Jewelry; and a 2008 Phantom Rolls Royce into LCY, LLC – Series Automobiles. These
11 transfers all purportedly took place on or about October 10, 2008. None of the LCY Entities provided
12 any consideration for the October 10, 2008 transfers of Mastro assets into those entities.

13 4.30 By Quit Claim Deed dated October 10, 2008, Michael R. Mastro and Michael K.
14 Mastro, as Co-Trustees of the Mastro Irrevocable Trust, conveyed the Medina Residence into LCY,
15 LLC – Series Home. Ex. O.

16 4.31 By Assignment dated October 10, 2008, Michael R. Mastro and Linda A. Mastro
17 transferred the following jewelry to LCY, LLC - Series Jewelry:
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- 19
- 20 (a) One platinum ring with 27.80 carat pear shape diamond;
 - 21 (b) One 14 karat white gold ring with 15.93 carat round diamond;
 - 22 (c) One 18 karat yellow gold diamond solitaire ring with one 14.17 carat
round diamond;
 - 23 (d) One 18 karat yellow gold ring with one 9.68 carat diamond;

- 1 (e) One 18 karat yellow gold ring with two rows of seven diamonds, two
2 rows of five diamonds and two rows of three diamonds;
3 (f) Two 2.5 carat earrings; and
4 (g) One ring with one 10.25 carat diamond.

5 Ex. P.

6 4.32 By Assignment, dated October 10, 2008, and Gift Statement, dated October 10, 2008,
7 Linda A. Mastro conveyed a 2008 Phantom Rolls Royce to LCY, LLC – Series Automobiles. Ex. Q.
8 Michael R. Mastro, as manager of LCY, LLC – Series Automobiles, executed a Letter of Acceptance
9 dated October 10, 2008.

10 4.33 The declaration of trust for The LCY Trust names Compass Trust Corporation as the
11 Trustee of The LCY Trust. Ex. J.

12 4.34 The declaration of trust for The LCY Trust names Compass S.A. as the Protector of
13 The LCY Trust. Every power granted to the Trustee of The LCY Trust is qualified by requiring the
14 consent of the "Protector" before the LCY Trustee can exercise such power. Ex. J.

15 4.35 The formation documents for LCY, LLC name Michael R. Mastro as manager. Ex. K.
16 The formation documents for LCY, LLC – Series Home, LCY, LLC - Series Jewelry and the LCY,
17 LLC Series Automobiles name Michael R. Mastro and Linda A. Mastro as managers of those entities.
18 Exs. L-N.

19 4.36 On October 10, 2008, Compass S.A. appointed Michael R. Mastro to act as the
20 Advisory Committee for the Protector. Ex. R. In his capacity as Advisory Committee for the
21 Protector, Mastro has the right to veto any actions proposed to be taken by the Protector if he deems
22 them "detrimental to the best interests of the trust." Mastro's veto power over the Protector, which in
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1 turn has veto power over the Trustee, provides Mastro with effective control over The LCY Trust and
2 all its assets.

3 4.37 On May 15, 2009, Compass Trust Corporation purported to remove Michael R. Mastro
4 and Linda A. Mastro as managers of the LCY Entities. Ex. S. Mastro could have vetoed this action if
5 he had wanted to remain as manager. Removal of the trust beneficiary as manager is one of the steps
6 advocated by Vigal & Simon to place a debtor's assets beyond the reach of the Court and the debtor's
7 creditors.

8 4.38 Notwithstanding the purported removal of the Mastros as managers of the LCY
9 Entities, Mastro retains control over The LCY Trust and all its assets by virtue of his position as the
10 Advisory Committee. Vigal & Simon, Compass Trust Corporation and Compass S.A. assisted Mastro
11 in exercising control over The LCY Trust and its assets.

12 4.39 Mastro, with the assistance of other persons and entities, is using assets of the Mastro
13 Irrevocable Trust and The LCY Trust to resist the Trustee's efforts to recover the assets that are the
14 subject of this lawsuit.

15 4.40 The LCY Trust states that Michael R. Mastro and Linda A. Mastro are the primary
16 beneficiaries. Other LCY Trust documents state that Michael R. Mastro is the "Ultimate Beneficial
17 Owner" of The LCY Trust. Ex. T.

18 4.41 The LCY Trust is either invalid or it is a self-settled trust and may not be used to defeat
19 the claims of creditors.

20 4.42 The purpose of The LCY Trust is to hinder, delay or defraud Mastro's creditors. The
21 declaration of trust for The LCY Trust states that the trust is intended to "assure that the assets of this
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1 trust are available first for the lifetime use of Michael R. Mastro and Linda A. Mastro and other assets
2 outside of this trust are utilized first to satisfy any outstanding obligations owed to 'Friends and
3 Family'." Ex. J.

4 4.43 The LCY Trust, Compass Trust Corporation, and Compass S.A. have resisted service
5 of process, provided misleading information to the Court, denied that the Court has jurisdiction over
6 them and refused to provide an accounting for the Mastro assets transferred to the LCY Trust or the
7 LCY Entities.

8 **Additional Transfers and Conveyances**

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10 4.44 The actions taken by Mastro to hinder, delay or defraud his creditors were not limited
11 to transfers of assets into the Mastro Irrevocable Trust and The LCY Trust. Mastro purported to sell
12 certain assets outright and purported to encumber other assets with debt and/or deeds of trust. The
13 details of additional transactions presently known to the Trustee are set forth below.

14 **The Highlands House**

15 4.45 On or about October 28, 2008, Michael R. Mastro and Michael K. Mastro, Co-Trustees
16 of the Mastro Irrevocable Trust executed a statutory warranty deed purporting to convey the
17 Highlands House to George B. Kauffman and Ellen Kauffman, husband and wife. Ex. U. No
18 proceeds of this purported sale were paid to the Mastro Irrevocable Trust. Mastro contends that the
19 sale price was approximately \$1.9 million, and that all sales proceeds after cost of sale were paid to an
20 Avatar affiliate. Mastro has provided no accounting for this transaction.
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1 4.46 The purported sale of the Highlands House is invalid because the Mastro Irrevocable
2 Trust is invalid, because the sale violated the terms of the trust agreement, or because the transaction
3 was otherwise deficient.

4 4.47 Avatar, or any other recipient of the proceeds of the purported sale of the Highlands
5 House, is not entitled to retain such proceeds unless the recipient can establish that the Mastro
6 Irrevocable Trust received adequate consideration in money or money's worth.

7 4.48 The purported sale of the Highlands House and application of the resulting proceeds
8 was intended to hinder, delay or defraud Mastro's creditors.
9

10 **The Medina Residence**

11 4.49 After the Medina Residence was transferred to LCY, LLC – Series Home, Mastro
12 sought to encumber the Medina Residence with multiple deeds of trust representing substantially all
13 of the value of the residence.
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15 4.50 On or about February 16, 2009, Michael R. Mastro as “Managing Member” of LCY,
16 LLC – Series Homes, Michael R. Mastro, individually and on behalf of his marital community, and
17 Linda A. Mastro, individually and on behalf of her marital community, executed a Commercial
18 Promissory Note in favor of “Concept Dorssers, a Monaco company” in the amount of \$12 million
19 (“Concept Dorssers Note”). Concept Dorssers is a name used by Hendrik J. Dorssers, and is not a
20 separate business entity. The original of the purported Concept Dorssers Note was never delivered to
21 Hendrik J. Dorssers or to Concept Dorssers.

22 4.51 On or about February 19, 2009, Michael R. Mastro as “Managing Member” of LCY,
23 LLC – Series Homes, and Linda A. Mastro as “Managing Member” of LCY, LLC – Series Homes,

1 purported to grant a \$12 million deed of trust on the Medina Residence to “Concept Dorssers, a
2 Monaco company.” (“Concept Dorssers Deed of Trust”). Ex. V. The Concept Dorssers Deed of
3 Trust was recorded with the King County Recorder’s Office on February 20, 2009.

4 4.52 Neither Hendrik J. Dorssers nor Concept Dorssers loaned any money or provided any
5 other consideration to LCY, LLC or LCY, LLC - Series Home in exchange for the Concept Dorssers
6 Note and Deed of Trust.

7 4.53 Neither Hendrik J. Dorssers nor Concept Dorssers was or is a creditor of LCY, LLC or
8 LCY, LLC - Series Homes.

9 4.54 In September 2009, with the assistance of other persons or entities, Mastro created a
10 back-dated document purporting to set forth a December 11, 2008 agreement for Concept Dorssers to
11 enforce a note and deed of trust against LCY, LLC – Series Homes for the benefit of a select few of
12 Mastro's business acquaintances. Ex. W. The individuals named in this back-dated document, and the
13 amount each allegedly was owed, are as follows:
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15 Concept Dorssers	\$ 1,305,580.39
16 Richard L. Bingham	\$ 142,647.42
Danielle Smith	\$ 75,156.74
Daniel Kirby	\$ 33,434.47
17 Scott Switzer	\$ 138,286.54
18 John J. Durst Living Trust	\$ 301,890.61
Durst Living Trust	\$ 1,340,574.31
19 Terry Durst	\$ 10,739,899.06

20 The back-dated document was created subsequent to the entry of the Order for Relief in the Mastro
21 bankruptcy.
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1 4.55 On September 8, 2009, Concept Dorssers issued a Notice of Default in preparation for
2 foreclosing on the Concept Dorssers deed of trust. Ex. X. The Notice of Default was issued
3 subsequent to the entry of the Order for Relief in the Mastro bankruptcy.

4 4.56 The Concept Dorssers Note and Deed of Trust are unenforceable because of lack of
5 consideration, because they were improperly executed, and because they are otherwise deficient.

6 4.57 The purpose of the Concept Dorssers Note and Deed of Trust was to hinder, delay and
7 defraud creditors of Mastro.

8 4.58 On or about May 18, 2009, Michael R. Mastro as “Managing Member” of LCY, LLC
9 – Series Homes, and Linda A. Mastro as “Managing Member” of LCY, LLC – Series Homes,
10 purported to grant a \$3 million deed of trust on the Medina Residence to Foundation Management,
11 Inc. (“Foundation Management Deed of Trust”). Ex. Y.

12 4.59 Foundation Management, Inc. (“Foundation Management”) purports to be a
13 Washington corporation. Foundation Management is owned or controlled by Ken Sato, a long-time
14 business associate of Mastro.

15 4.60 Foundation Management loaned no money and provided no other consideration to
16 LCY, LLC or LCY, LLC - Series Home in exchange for the Foundation Management Deed of Trust.

17 4.61 Foundation Management was not and is not a creditor of LCY, LLC or LCY, LLC -
18 Series Homes.

19 4.62 The Foundation Management Deed of Trust is unenforceable because of lack of
20 consideration, and because it does not constitute a valid contract.

1 4.63 The Foundation Management Deed of Trust was intended to hinder, delay and defraud
2 creditors of Mastro.

3 4.64 On or about November 12, 2009, Foundation Management caused the Foundation
4 Management Deed of Trust to be reconveyed. Ex. Z. Ken Sato, President of Foundation
5 Management, acknowledged that no loan was made to support the Foundation Management Deed of
6 Trust. The stated purpose of the reconveyance was to attempt to avoid liability to the Trustee. The
7 Trustee has dismissed Foundation Management from this lawsuit without prejudice to the Trustee's
8 right to reassert any and all claims as the Trustee deems appropriate.

9 **The Clyde Hill House**

10 4.65 Michael R. Mastro and Michael K. Mastro, Co-Trustees of the Mastro Irrevocable
11 Trust, are currently attempting to sell the Clyde Hill House. Mastro has stated that all sales proceeds
12 will be paid to an Avatar affiliate.

13 4.66 The Trustee is entitled to recover the Clyde Hill House for the benefit of the creditors
14 in the Mastro bankruptcy.

15 4.67 Any continuing efforts by Michael R. Mastro and Michael K. Mastro to sell the Clyde
16 Hill House without the written approval of the Trustee, or order of the Court, constitute improper
17 interference with an asset of the bankruptcy estate.

18 **Challenged Transactions**

19 4.68 The Trustee is entitled to recover all assets under the control of the Mastro Revocable
20 Living Trust because it is self-settled trust and may not be used to defeat the claims of Mastro's
21 creditors.
22
23

1 4.69 The Trustee is entitled to recover any and all assets transferred to or from the Mastro
2 Irrevocable Trust because the trust is either invalid or it is a self-settled trust and may not be used to
3 defeat the claims of creditors.

4 4.70 The Trustee is entitled to recover any and all assets transferred to or from The LCY
5 Trust because the trust is either invalid or it is a self-settled trust and may not be used to defeat the
6 claims of creditors.

7 4.71 The Trustee is entitled to recover all other assets transferred to or from the Mastro
8 Irrevocable Trust, The LCY Trust, the LCY Entities, or any related entities, because all such transfers
9 were made without consideration.

10 4.72 The Trustee is entitled to recover all other assets transferred to or from the Mastro
11 Irrevocable Trust, The LCY Trust, the LCY Entities, or any related entities, because all such transfers
12 were intended to hinder, delay or defraud Mastro's creditors.

13 4.73 The Trustee is entitled to avoid all transactions to the Mastro Revocable Living Trust
14 within the last two years and to avoid all transactions to or from the Mastro Irrevocable Trust, the
15 LCY Trust, and the LCY Entities including, without limitation, the following:

- 16
- 17
- 18 (a) Transfer of the Medina Residence to the Mastro Revocable Living Trust on or
19 about June 9, 2008;
- 20 (b) Transfer of the Medina Residence to the Mastro Irrevocable Trust on or about
21 August 22, 2008;
- 22 (c) Transfer of the Clyde Hill House to the Mastro Irrevocable Trust on or about
23 August 22, 2008;

- (d) Transfer of the Highlands House to the Mastro Irrevocable Trust on or about August 22, 2008;
- (e) Grant of a deed of trust in favor of Avatar on the Clyde Hill House and the Highlands House on or about September 17, 2008 to secure an alleged debt in the amount of \$3,360,000;
- (f) Grant of a deed of trust on the Clyde Hill House and the Highlands House in favor of Al Monjazebe on or about October 7, 2008 to secure an alleged debt in the amount of \$1 million;
- (g) Transfer of the Medina Residence to LCY, LLC – Series Home on or about October 10, 2008;
- (h) Transfer of the Mastro jewelry to LCY, LLC – Series Jewelry on or about October 10, 2008;
- (i) Transfer of the Mastro 2008 Phantom Rolls Royce to LCY, LLC – Series Automobiles on or about October 10, 2008;
- (j) Transactions placing the LCY Entities under the control of the LCY Trust on or about October 10, 2008;
- (k) Sale of the Highlands House on or about October 28, 2008;
- (l) Grant of a deed of trust on the Medina Residence in favor of Concept Dorssers on or about February 19, 2009 to secure an alleged debt in the amount of \$12 million; and
- (m) Grant of a deed of trust on the Medina Residence in favor of Foundation Management on or about May 18, 2009 to secure an alleged debt in the amount of \$3 million.

1 The transactions described in this subsection 4.73 including, without limitation, transactions (a)
2 through (m) will be referred to below as the “Challenged Transactions.”

3 **Damages**

4 4.74 Mastro’s bankruptcy estate has suffered damages in an amount not less than the value
5 of the assets that are the subject of the wrongful transactions described in this Amended Complaint,
6 less the net value of any of those assets recovered by the Trustee after deducting all amounts spent to
7 recover them.

8 **V. RECOVERY OF ASSETS TRANSFERRED TO**
9 **OR FROM SELF-SETTLED TRUSTS**

10 5.1 Sections I-IV and all subsections thereof are hereby repeated and incorporated as
11 though fully set forth herein.

12 5.2 The Trustee is entitled to recover all assets under the control of the Mastro Revocable
13 Living Trust because it is a self-settled trust and may not be used to defeat the claims of creditors.
14 *See, e.g.,* RCW 19.36.020.

15 5.3 The Trustee is entitled to recover all assets transferred to or from the Mastro
16 Irrevocable Trust because the trust is either invalid or it is a self-settled trust and may not be used to
17 defeat the claims of creditors. *See, e.g.,* RCW 19.36.020.

18 5.4 The Trustee is entitled to recover all assets transferred to or from The LCY Trust
19 because the trust is either invalid or it is a self-settled trust and may not be used to defeat the claims of
20 creditors. *See, e.g.,* RCW 19.36.020.

1 **VI. FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 544 AND RCW 19.40**

2 6.1 Sections I-V and all subsections thereof are hereby repeated and incorporated as though
3 fully set forth herein.

4 6.2 The Challenged Transactions are avoidable pursuant to 11 U.S.C. §544 and RCW
5 19.40 because:

6 (a) Each of the Challenged Transactions was made with actual intent to hinder,
7 delay or defraud creditors of Mastro;

8 (b) Each of the Challenged Transactions was made without the debtor receiving
9 reasonably equivalent value in exchange for the transfers;

10 (c) The debtor was insolvent at the time of each of the Challenged Transactions or
11 became insolvent as a result of the Challenged Transaction;

12 (d) At the time of each of the Challenged Transactions, the debtor was engaged in
13 or was about to engage in business for which the remaining assets of the debtor were unreasonably
14 small in relation to the business or the transaction;

15 (e) At the time of each of the Challenged Transactions, the debtor intended to incur
16 or reasonably should have believed that he would incur debts beyond his ability to pay as they became
17 due.

18 **VII. FRAUDULENT TRANSFERS UNDER 11 U.S.C. § 548**

19 7.1 Sections I-VI and all subsections thereof are hereby repeated and incorporated as
20 though fully set forth herein.

21 7.2 The Challenged Transactions are avoidable pursuant to 11 U.S.C. §548 because:

22 (a) Each of the Challenged Transactions was made within two years of the filing of
23 the bankruptcy petition in this proceeding;

1 (b) Each of the Challenged Transactions was made with actual intent to hinder,
2 delay or defraud creditors to whom Mastro was indebted on or after the date of the transaction;

3 (c) Each of the Challenged Transactions was made without the debtor receiving
4 reasonably equivalent value in exchange for such transfer or obligation;

5 (d) The debtor was insolvent at the time of each of the Challenged Transactions or
6 became insolvent as a result of the Challenged Transaction;

7 (e) At the time of each of the Challenged Transactions, the debtor was engaged in
8 or was about to engage in business for which the remaining assets of the debtor were unreasonably
9 small in relation to the business or the transaction;

10 (f) At the time of each of the Challenged Transactions, the debtor intended to incur
11 or reasonably should have believed that he would incur debts beyond his ability to pay as they became
12 due.

13 **VIII. ACTION TO QUIET TITLE - MEDINA RESIDENCE**

14
15 8.1 Sections I-VII and all subsections thereof are hereby repeated and incorporated as
16 though set forth herein.

17 8.2 None of the defendants in this proceeding has any valid legal or equitable right, claim,
18 or interest in the Medina Residence.

19 8.3 The Trustee seeks a declaration that the title to the Medina Residence is vested in the
20 Trustee alone and that any and all of the defendants herein be declared to have no estate, right, title or
21 interest in the Medina Residence and that each of the defendants be forever enjoined from asserting
22 any estate, right, title or interest in the subject property adverse to the Trustee or his successors in
23 interest.

1 **IX. ACTION TO QUIET TITLE – CLYDE HILL HOUSE**

2 9.1 Sections I-VIII and all subsections thereof are hereby repeated and incorporated as
3 though set forth herein.

4 9.2 None of the defendants in this proceeding has any valid legal or equitable right, claim,
5 or interest in the Clyde Hill House.

6 9.3 The Trustee seeks a declaration that the title to the Clyde Hill House is vested in the
7 Trustee alone and that any and all of the defendants herein be declared to have no estate, right, title or
8 interest in the Clyde Hill House and that each of the defendants be forever enjoined from asserting any
9 estate, right, title or interest in the subject property adverse to the Trustee or his successors in interest.
10

11 **X. INJUNCTIVE RELIEF**

12 10.1 Sections I-IX and all subsections thereof are hereby repeated and incorporated as
13 though set forth herein.

14 10.2 All defendants, their agents and legal counsel should be restrained from exercising any
15 possession, dominion or control over, or attempting in any way to gain possession, dominion or
16 control over, any of the assets that are the subject of this Amended Complaint until a determination is
17 made on the merits of this Amended Complaint regarding the ownership of such assets.

18 **XI. PRESERVATION OF AVOIDED TRANSFERS**

19
20 11.1 Sections I-X above and all subsections thereof are hereby repeated and incorporated as
21 though fully set forth herein.

22 11.2 Any and all transfers avoided under the claims for relief set forth in this Amended
23 Complaint are preserved for the benefit of the estate pursuant to 11 U.S.C. §551.

1 **XII. AIDING AND ABETTING**

2 12.1 Sections I-XI above and all subsections thereof are hereby repeated and incorporated as
3 though fully set forth herein.

4 12.2 Defendants Linda A. Mastro, Michael K. Mastro, Compass Trust Corporation,
5 Compass S.A., Concept Dorssers and other persons and entities have aided and abetted Michael R.
6 Mastro in carrying out the wrongful conduct described in this Amended Complaint.

7 12.3 All persons aiding and abetting the wrongful conduct described in this Amended
8 Complaint are jointly and severally liable for all losses sustained by the bankruptcy estate as a result
9 of such wrongful conduct.

10 **XIII. CIVIL CONSPIRACY**

11 13.1 Sections I-XII above and all subsections thereof are hereby repeated and incorporated
12 as though fully set forth herein.

13 13.2 Defendants Linda A. Mastro, Michael K. Mastro, Compass Trust Corporation,
14 Compass S.A., Concept Dorssers and other persons and entities have participated in a civil conspiracy
15 with Michael R. Mastro to engage in the unlawful transactions described in this Amended Complaint.

16 13.3 Defendants Linda A. Mastro, Michael K. Mastro, Compass Trust Corporation,
17 Compass S.A., Concept Dorssers and other persons and entities have participated in a civil conspiracy
18 with Michael R. Mastro to achieve the unlawful objective of hindering, delaying or defrauding the
19 creditors of Michael R. Mastro.

20 13.4 All participants in the civil conspiracy alleged in this Amended Complaint are jointly
21 and severally liable for all losses caused by each participant in the conspiracy.

1 **XIV. DAMAGES**

2 14.1 Sections I-XIII above and all subsections thereof are hereby repeated and incorporated
3 as though fully set forth herein.

4 14.2 The Trustee is entitled to judgment for all losses sustained by the bankruptcy estate as a
5 result of the wrongful conduct that is the subject of this Amended Complaint.

6 14.3 The Trustee is entitled to judgment against defendants to the extent they have received
7 or benefited from assets that are property of the bankruptcy estate or property that is recoverable by
8 the Trustee including without limitation all amounts transferred to defendants from the Mastro
9 Revocable Living Trust, the Mastro Irrevocable Trust, The LCY Trust, or the LCY Entities.
10

11 **XV. DECLARATORY RELIEF**

12 15.1 Sections I-XIV above and all subsections thereof are hereby repeated and incorporated
13 as though fully set forth herein.

14 15.2 The Trustee is entitled to a determination that all personal property of Michael R.
15 Mastro and Linda A. Mastro is community property and is property of the bankruptcy estate.
16

17 **XVI. RESERVATION OF RIGHT TO ADD ADDITIONAL DEFENDANTS**

18 16.1 The Trustee reserves the right to add other parties as defendants following additional
19 discovery.
20

21 **PRAYER FOR RELIEF**

22 WHEREFORE, the Trustee prays for the following relief:
23

- 1 1. A determination that all assets under the control of the Mastro Revocable Living Trust
- 2 are recoverable by the Trustee because the Mastro Revocable Living Trust is a self-settled trust.
- 3 2. A determination that all assets transferred to or from the Mastro Irrevocable Trust are
- 4 recoverable by the Trustee because the Mastro Irrevocable Trust is a self-settled trust.
- 5 3. A determination that all assets transferred to or from the The LCY Trust are
- 6 recoverable by the Trustee because The LCY Trust is a self-settled trust.
- 7 4. A determination that the LCY Entities are property of the bankruptcy estate.
- 8 5. A determination that each of the Challenged Transactions described in this Amended
- 9 Complaint is avoidable pursuant to 11 U.S.C. §544 and RCW 19.40.
- 10 6. A determination that each of the Challenged Transactions described in this Amended
- 11 Complaint is avoidable pursuant to 11 U.S.C. §548.
- 12 7. Judgment quieting title with respect to the Medina Residence.
- 13 8. Judgment quieting title with respect to the Clyde Hill House.
- 14 9. Judgment quieting title with respect to all other assets that are the subject of this
- 15 Amended Complaint.
- 16 10. An award of damages for all losses caused to the bankruptcy estate by the wrongful
- 17 conduct described in this Amended Complaint.
- 18 11. Injunctive relief precluding defendants from engaging in or causing any action to
- 19 interfere with the bankruptcy estate's ownership of the transferred assets, including but not limited to
- 20 any acts to transfer title to, seek to encumber, and/or seek to foreclose upon the purported secured
- 21 obligations against any of the transferred assets identified herein.
- 22 12. Judgment preserving all transfers avoided pursuant to this Amended Complaint for the
- 23 benefit of the bankruptcy estate pursuant to 11 U.S.C. 551.

13. A determination that all personal property of Michael R. Mastro and Linda A. Mastro is community property and is property of the bankruptcy estate.

14. Judgment awarding such other relief as the Court deems just and proper.

DATED this 23rd day of March, 2010.

BUSH STROUT & KORNFELD

By /s/ Gayle E. Bush
Gayle E. Bush, WSB No. 07318
Christine M. Tobin, WSB No. 27628

HALL ZANZIG CLAFLIN
McEACHERN PLLC

By /s/ Spencer Hall
 Spencer Hall, WSB No. 6162
 Janet D. McEachern, WSB No. 14450

Attorneys for James Rigby, Chapter 7 Trustee